

11-6-2008

Tell Me Your Credit Score And I'll Tell You If You're A Good Person

Lori Wright
UNH Media Relations

Follow this and additional works at: <https://scholars.unh.edu/news>

Recommended Citation

Wright, Lori, "Tell Me Your Credit Score And I'll Tell You If You're A Good Person" (2008). *UNH Today*. 583.
<https://scholars.unh.edu/news/583>

This News Article is brought to you for free and open access by the Administrative Offices at University of New Hampshire Scholars' Repository. It has been accepted for inclusion in Media Relations by an authorized administrator of University of New Hampshire Scholars' Repository. For more information, please contact nicole.hentz@unh.edu.



Tell Me Your Credit Score And I'll Tell You If You're A Good Person

Media Contact: [Lori Wright](#)
603-862-0574
UNH Media Relations

November 6, 2008

EDITORS AND REPORTERS: Josh Lauer can be reached at 603-862-3037 and josh.lauer@unh.edu.

DURHAM, N.H. - High credit score? You must be a good, responsible person. Average credit score? You're a decent person but could use some improvement. Low credit score? You're probably irresponsible and morally questionable.

As credit markets have tightened, the issue of credit scores has been in the news. And for many people, credit scores measure more than creditworthiness - they represent whether someone is trustworthy and responsible in other aspects of their lives. In essence, a credit score reflects personal morality, according to Josh Lauer, assistant professor of communication at the University of New Hampshire. Lauer researches credit reporting and the invention of financial identity in the United States.

The real danger of credit scoring is using such scores to assess trustworthiness in situations that have little or nothing to do with one's ability to repay a loan, such as when they are used in employment decisions or to determine auto and homeowner insurance rates, Lauer says.

"At a fundamental level, credit evaluation is an effort to determine whether a given person can be trusted. The issue is not simply whether a person has the financial means to pay, but whether they are sufficiently compelled -- by moral obligation or fear of legal sanction -- to pay at all," he says.

Some people with low credit scores no doubt have made poor decisions or mismanaged their finances, the professor says. But mere extravagance does not account for the leading causes of financial distress. In many cases it is medical expenses, divorce, unemployment, or the death of a spouse that pushes an individual into delinquency and insolvency.

The impact of interpreting a low credit score as a moral failure can be devastating. Prospective employers may use such scores to make hiring decisions. "It is possible for a job seeker to enter into a vicious cycle. A layoff might cause financial difficulty that hurts the job seeker's credit score, which in turn impacts their ability to secure a new job if prospective employers request credit checks," Lauer says.

Using creditworthiness as a moral assessment isn't new. Early credit reporting firms often used explicit language -- deadbeat, swindler, drunk, gambler, immoral -- to alert lenders to individuals thought to be unworthy of credit. Additionally, creditors sometimes made negative inferences about borrowers based upon their race, home address, or marital status. In some cases people of color, those who resided in low-income neighborhoods, and single or divorced women were declined or forced to pay higher interest rates regardless of their payment history, which might have been very good.

While the Equal Credit Opportunity Act (1974) prohibits lenders from using credit information to discriminate among customers on the basis of race, gender, or marital status, some creditors have turned to behavioral or "lifestyle" metrics to infer creditworthiness. In June 2008 the Federal Trade Commission filed a suit against Atlanta-based CompuCredit, a credit card issuer, for using the purchasing history of credit card customers to make judgments about their creditworthiness. The FTC suit reveals that card users who frequented massage parlors, bars or pool halls, had their tires retreaded, or paid for marriage counseling had their credit lines reduced.

"Credit scoring cannot help but provide a moral context for making credit decisions. To be creditworthy is to be trustworthy. Behavioral or lifestyle scoring, by which creditors analyze the spending habits of individuals, is a way for lenders, potential employers, insurers, landlords and marketers to infer trustworthiness and desirability. But it does so by looking at what individuals buy, not how they pay, to make assumptions about their honesty and integrity," Lauer said.

Lauer holds a Ph.D. in communication from the University of Pennsylvania Annenberg School for Communication.

-30-

